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of Accounting and Reporting
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Agenda item 5

ADOPTION OF THE REPORT OF THE GROUP ON ITS NINTH SESSION

Draft report

Addendum

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PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

B. Discussion of accounting and reporting issues identified during the eighth session

4. Organization of the accounting profession and the role and qualification of auditors

1. At its 4th and 5th meetings, on 6 and 7 March 1991, the Group considered the report of the Secretary-General on the organization of the accounting profession and the role and qualification of auditors (E/C.10/AC.3/1991/7). There was much discussion about the term "accountant", which had different meanings in different countries. A distinction was drawn between accountants and auditors: both belonged to the accounting profession but not all accountants were auditors. The Group was reminded that there were many accountants in government service and that although they might not belong to professional bodies, they were qualified accountants and had an important role to perform.

2. One expert suggested that in view of the closeness between accounting and auditing in the private sector and in the government sector, including the public

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sector, it would be useful if any new report on the subject were to include that particular aspect.

3. A number of experts were of the view that the report was very useful in that it was an informative summary of how the accounting profession could be organized. It would be helpful both to countries setting up professional bodies and to those needing to improve them. One expert raised the question of the relationship between the objectives of the profession and its education and training requirements. He asked if, based on the reports, the Group could agree on a minimum list of professional requirements. One said that four ingredients were necessary for an effective profession: (1) accounting and auditing standards, (2) a body of qualified people, (3) a professional body and (4) a standard-setting body. As far as he was concerned, the main international organizations (the International Accounting Standards Committee (IASC), the International Federation of Accountants (IFAC) and the Intergovernmental Working Group) were concerned only with the first one. He asked who was going to help the third world in the education of accountants and in developing the accounting profession by setting up standard-setting and professional bodies. The mandates of those organizations did not provide for such help and, since there was no plan of action, a serious vacuum existed. The observer for a large group of countries and the observer for the Fédération internationale des experts-comptables francophones (FIDEF) said that accounting was a vital element for development and that if the third world was to develop, it would need to establish private professional bodies. Indeed, the development of the profession was inseparable from the development of developing countries, since those that had scarce resources had to be able to account for them. The survey of accounting needs in Africa, reviewed by the Group in 1990, should be more than a theoretical exercise. The ways and means had to be found to set up a professional institute in each country.

4. The observer for the European Community raised the question of who should undertake such actions, the future professionals themselves or government external donors. An expert from a country in transition replied that in setting up the profession and revising accounting regulations, a new institute might find it very difficult to train professionals and set standards without some assistance from the Government and/or international organizations.

5. One expert explained how the transformation of the accounting profession was proceeding in his country. Important aspects of the new accounting law that had recently been submitted were that higher qualifications were required (which implied familiarity with international accounting principles, standards and practices); that, in contrast to the previous situation, which had demanded strict compliance with highly detailed accounting regulations, sound business judgement and responsible and prudent management were currently required; and that creativity in the development of an independent accounting policy for the company was called for. Under the new law, a self-organized professional body or bodies would guarantee the representation of the interests of the profession. Through the National Accounting Board that was to be set up, the law permitted the profession to take an active part in the work of regulation and in monitoring implementation. A training programme for some 100,000 accountants had been established in his country. Through ensuring clear external social control, the disclosure

requirement of the annual report would also raise the prestige and social standing of the profession. The extension of the mandatory audit requirement to a range much wider than before would also effect a change in the composition of the profession.

6. One expert said that the report should be improved by the inclusion of new information, such as recent developments in the accounting profession in China, the link between public and private accountants and the role of accounting in economic development.

7. Concern was expressed about auditors and their independence. Since many external users were totally dependent on their opinions, extreme care should be taken to preserve the independence of auditors. Among the possible safeguards mentioned were restricting individual client fees to 5 per cent of total fees, prohibiting auditors from giving management advice to their clients and eliminating the "limited" liability of auditors where that was the rule.

8. One expert said that, contrary to the implication in paragraph 91 of the report, there was no conflict between the independence of the auditor and legislation regulating the certification and supervision of the auditor. Such legislation could, instead, be a prerequisite for ensuring the integrity and independence of an auditor.

9. In concluding the discussion, an expert from a developing country said that it was important to reduce the gap in the profession in the third world and to raise professional standards. That would require external assistance. He did not understand how such assistance could possibly interfere with the independence of the profession. He saw no contradiction between technical assistance and autonomy. Furthermore, the Group had wanted a comprehensive accounting programme for years and while strong programmes had been developed in many other fields, technical assistance in accounting remained piecemeal and peripheral.

10. The Group was of the opinion that the discussion on the issue had been fruitful and enlightening. Distribution of the report of the Secretary-General to interested parties was encouraged. The question of technical assistance should be taken up in discussing the mandate of the Group.